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S E C R E T SECTION 01 OF 04 CANBERRA 000138

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SUBJECT: PRIME MINISTER REIGNS OVER FOREIGN AFFAIRS

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Classified By: CDA Daniel A. Clune for reasons 1.4 (b) and (d)

11. (S/NF) SUMMARY: Since becoming Prime Minister in December 2007, Kevin Rudd has appropriated control of foreign-policy formulation and decision-making, leaving his Foreign Minister to perform mundane, ceremonial duties and relegating the Department of Foreign Affairs and Trade (DFAT) to a backwater. This shift has been reinforced bureaucratically by the creation of the Office of National Security Adviser in the Department of Prime Minister and Cabinet (PM&C), though PM&C as an institution is also playing a smaller role in foreign policy decision-making because it is fully occupied supporting Rudd's day-to-day demands. Foreign policy is now run from the Prime Minister's Office, with its two full-time foreign policy advisors. Key Australian Ambassadors, including Dennis Richardson in Washington, are also playing a larger role as they work more directly with the PM's Office. Rudd, who likes to centralize decision-making in any event, undoubtedly believes that with his intellect, his six years as a diplomat in the 1980s and his five years as shadow foreign minister, he has the background and the ability to direct Australia's foreign policy. His performance so far, however, demonstrates that he does not have the staff or the experience to do the job properly. END SUMMARY

KEVIN 747

12. (C/NF) Most observers expected Kevin Rudd to play an active role on foreign policy as Prime Minister. He was a former diplomat who served as the Opposition Spokesperson for Foreign Affairs and Trade for five years. In addition, his foreign minister, Stephen Smith, a career Australian Labor Party (ALP) politician, had no background in foreign affairs. In his 14 months in power, however, Rudd has done more than play an active role -- he has taken over the formulation and conduct of foreign policy on all major issues. Major policy initiatives, such as the proposals for an Asia-Pacific Community and International Commission on Nuclear Nonproliferation and Disarmament, were conceived and announced by him without consultation or advance notice to the foreign affairs bureaucracy. Since the Rudd Government took office, Rudd has been to China twice; Smith has not visited. Rudd traveled overseas so much during 2008 - more often than not without FM Smith - that his new nickname in the media is "Kevin 747" (a takeoff on his "Kevin 07" campaign slogan and later, the "Kevin 24/7" moniker reflecting his workaholic style).

DFAT BYPASSED

13. (C/NF) A senior foreign diplomat, quoted in the media last October, noted that under the former Foreign Minister Alexander Downer, it was important to know the FM's staff, now the diplomat said, all one needed was Gary Quinlan's (Rudd's foreign policy adviser) phone number. Other foreign diplomats, in private conversations with us, have noted how much DFAT seemed to be out of the loop. The Israeli Ambassador told us that senior DFAT officials are frank in asking him what PM Rudd is up to and admit that they are out of the loop. DFAT morale has plummeted, according to our Qof the loop. DFAT morale has plummeted, according to our contacts inside as well as outside the Department. Downer's former chief of staff, Chris Kenney, told poloffs recently that FM Smith has been relegated to doing things that Downer used to pass to his parliamentary secretaries.

THE FOREIGN MINISTER ON VACATION

14. (S/NF) Some view FM Stephen Smith, in particular, as being partially responsible for his Department's decline. Surprised by his appointment as Foreign Minister, Smith has been very tentative in asserting himself within the Government. DFAT contacts lamented that Smith took a very legalistic approach to making decisions, demanding very detailed and time-consuming analysis by the Department and using the quest for more information to defer making decisions. BHP Billiton VP for Government Relations Bernie Delaney, a long-time friend of Smith's, told us that Smith suffered from not having a strong chief of staff to force him to prioritize and make decisions. Delaney recently told us

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that he expects Smith's performance to improve now that he has a permanent chief of staff, Frances Adamson, the former Deputy High Commissioner in London and an experienced DFAT official. David Pearl, a Treasury official who served briefly as Smith's advisor in 2004, told us that Smith is very smart, but intimidated both by the foreign policy issues themselves and the knowledge that PM Rudd is following them so closely. Former DFAT First Assistant Secretary for North Asia Peter Baxter once lamented to us that Smith's desire to avoid overruling DFAT recommendations meant that he often delayed decisions to the point that the PM's Office stepped in and took over.

15. (C/NF) After Israel initiated its Gaza operation on December 27, Israeli Ambassador Yuval Rotem contacted FM Smith at his home in Perth, Western Australia, to ask for Australia's public support (ref A). Rotem told us that Smith's response was that he was on vacation, and that the Ambassador needed to contact Deputy Prime Minister Gillard, who was acting prime minister and foreign minister at the time. (NOTE: The Israel-Palestine issue is a very sensitive one for the Rudd Government. An ALP senator told us that a number of MPs had a meeting with Smith in December asking that Australia be more supportive of Israel, and there are a number of left-wing ALP politicians and unions who are strong supporters of the Palestinians. End note.)

WHAT'S A DEMARCHE?

16. (S/NF) Last December, Smith called in the Ambassador to register his and the Prime Minister's disapproval of the fact that the United States had demarched Australia on the negotiation of a SOFA with Iraq. Smith somewhat indignantly told the Ambassador that allies should not have to demarche each other on an issue such as this. The Embassy thought that the GOA was upset because the lengthy negotiation of our SOFA left very little time for Australia to conduct its own negotiations. This was undoubtedly part of the motivation for the meeting but later, at a meeting at DFAT, an Assistant Secretary confided to the DCM that Smith did not fully understand what a demarche was, and thought that it was only used on special occasions to convey an official rebuke.

NATIONAL SECURITY ADVISER APPOINTED

17. (C/NF) On December 4, Rudd announced the appointment of Duncan Lewis, a 30-year veteran of the Australian Defence Force, to the newly-created position of National Security Adviser (ref B). He is officially an Associate Secretary of PM&C and will be responsible for advising the Prime Minister on all policy matters relating to Australia's security. Lewis will also chair a new National Intelligence Coordinating Committee. The breadth of his duties is illustrated by the fact that, when former Ambassador McCallum met with Rudd November 20 to convey a request that Australia accept some of the Chinese Uighers currently detained in Guantanamo, Lewis and Quinlan were the only staff with Rudd and Lewis conveyed Rudd's decision to the Embassy. He also accompanied the Prime Minister to the scene of the recent bushfires in Victoria and helped coordinate the federal response.

18. (S/NF) Several DFAT officials have commented that despite Q8. (S/NF) Several DFAT officials have commented that despite Lewis' personal exposure to the PM, PM&C has not filled the vacuum caused by DFAT's marginalization. One DFAT Assistant Secretary told us that PM&C has much less of a role in formulating policy than it did under the Howard Government, when PM&C moved from a "policy coordination" role to a "policy development" role by its final years. This DFAT official stated that PM&C's comparatively small foreign policy staff is overwhelmed supporting Rudd's foreign policy activities, particularly his travel, which has reduced its ability to push its own agenda. PM&C Coordinator for Economic Affairs Gordon Debrouwer has indirectly confirmed this on several occasions, telling us that PM&C foreign policy staff have been run ragged answering the PM's queries and supporting his interaction with foreign officials. Senator Mark Arbib, a Labor heavyweight who is widely seen as being a voice Rudd listens to, told us that he has been surprised by the amount of reading material the PM demands from PM&C to prepare for conversations with foreign leaders. He said that Rudd's staff would like to get their boss to

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spend less time on foreign policy and delegate more, but that they recognize that this is a hopeless task.

LARGER ROLE FOR KEY AMBASSADORS

19. (S/NF) Several contacts tell us that DFAT and PM&C's relative decline have been counterbalanced by a larger (albeit informal) role for key Australian Ambassadors. In particular, they note that Ambassador Richardson in Washington has developed a strong personal relationship with Rudd and that he works directly with Gary Quinlan, the former DCM in Washington, to keep the PM informed as well as carry out the PM's orders. Former DFAT First Assistant Secretary for North Asia Peter Baxter told us that Australia's Ambassador in Beijing, Geoff Raby, has also developed a strong relationship with the PM's Office, as has his counterpart in Indonesia. BHP Billiton's well-plugged-in VP Bernie Delaney told us that Rudd's relationships with Australian Ambassadors drive FM Smith to distraction, but that he believes there is nothing he can do about it and accepts not being fully in the loop as "inevitable."

FOREIGN POLICY ON THE RUN?

10. (C/NF) Rudd's governing style has been to centralize decision-making in his office and rely on a small group of advisers. Quinlan is an experienced DFAT veteran (who served as DCM at the Australian Embassy in Washington from 2005-08). He is assisted by Scott Dewar, another DFAT official who has served in China, Korea and Japan, as well as having been former FM Downer's speechwriter. However, Rudd's 29-year old chief of staff is a domestic political operative and none of his key ministerial advisers - Deputy PM Julia Gillard,

Treasurer Wayne Swan, and Finance Minister Lindsay Tanner - have any foreign policy experience. Duncan Lewis is a retired general, though with considerable experience dealing with DFAT and the intelligence community. The PM's office tends to respond to the media cycle and the next event on the schedule and cannot focus on longer-term policy development. PM&C, which is meant to provide the policy coordination, is tied up responding to current events. As a result, according to a senior government official who was quoted in the press, the Rudd Government "is not getting well-thought-out policy advice; it is all policy on the run, but neither the ministers nor their advisers can tell the difference."

¶11. (S/NF) Policy on the run and the lack of consultation within the Government may help explain what were considered to be the foreign policy mistakes of Rudd's first 14 months in office (ref C):

-- Foreign Minister Stephen Smith's announced in February, without any prior consultation with its allies, and at a joint press availability with visiting Chinese Foreign Minister Yang Jiechi, that Australia would not support possible quadrilateral discussions between Australia, the United States, Japan and India.

-- The itinerary for Rudd's first overseas trip in March 2007 included the U.S., Europe and China but bypassed Japan.

-- Rudd's June speech announcing that he would push for the creation of an "Asia-Pacific Community" was done without advance consultation with either other countries or within the Australian Government. Even the distinguished former diplomat Rudd chose to spearhead the effort was not told of it until a few hours before the public announcement.

-- Rudd rolled out a proposal that Australia would set up an international commission on nuclear nonproliferation and disarmament in Hiroshima during a photo-op heavy trip to Japan in June. His Japanese hosts were given insufficient advance notice and refused a request for a joint announcement. He did not consult in advance with any of the P5 countries.

-- In September, the PM's Office asked for a meeting with President Bush while Rudd was in the United States for the UN General Assembly. After making an aggressive and ultimately successful push for a meeting, the PM's Office abruptly canceled the meeting two days later.

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-- In October, Rudd's self-serving and inaccurate leaking of details of a phone call between President Bush and him cast further doubt on his foreign policy judgment.

-- In January, after the press published a story that the U.S. had asked Australia to accept some Guantanamo detainees, the Government responded to the story by issuing a statement publicly acknowledging our confidential request and stating that they were not likely to accept the detainees.

COMMENT: DECISION-MAKING WILL IMPROVE BUT REMAIN IN RUDD'S HANDS

¶12. (S/NF) To some extent, the missteps of the Rudd Government can be attributed to their inexperience. The ALP had been out of power for almost 12 years and is still learning how to run a Government. U.S. interlocutors have noticed, for example, that FM Smith has grown in ability and stature as he gains more confidence in his job. He has also recently hired the former DCM at the Australian High Commission in London as his chief of staff. On the other hand, mistakes that have occurred because of a haphazard, overly-secretive decision-making process are likely to continue. Rudd is a centralizer by nature who will only

grudgingly share the decision-making on foreign policy. A strong signal of this is the fact that Rudd has just reappointed Michael L'Estrange as DFAT Secretary. L'Estrange is from the opposition Liberal Party and was first appointed by John Howard. If Rudd had any plans for DFAT, he would have likely appointed one of his own people.

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